



CITY OF BROWNING, MISSOURI

YEAR ENDED DECEMBER 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-117
December 20, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 1999

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Browning, Missouri.

The City of Browning provides water and sewer services to approximately 160 customers and trash services to approximately 136 customers. Our review of the city's billing and collection records and procedures disclosed the following concerns:

- The city contracts with a trash hauler to collect trash from the homes in the city. For a number of years, the trash hauler billed city residents directly for trash service. In October 1997, the city began billing each resident seven dollars per month for the cost of the service. The fees charged to residents were established without a public vote, and some residents who apparently do not use the service have been billed for trash fees.

Article X, Section 22(a) of the Missouri Constitution, commonly known as the Hancock Amendment, prohibits political subdivisions from increasing existing taxes, licenses, or fees above levels authorized at the time of passage of the Hancock Amendment without voter approval. However, Section 67.042, RSMo 1994, allows political subdivisions to adjust existing fees and licenses to maintain funding of services provided at the time of passage of the Hancock Amendment.

Because this matter has been a concern of some citizens, the city should request that its attorney review this fee to determine whether it is or can be structured as a user fee or whether the fee and any fee increases should be put to a public vote.

- During the year ended December 31, 1998, the city collected \$10,694 in trash fees and paid \$3,084 for trash hauling services. The city has not been billed by its former trash hauler for trash services provided from September 1997 through June 1998, but the city expects to be billed for these services in the future. It appears the 1998 share of these costs is approximately \$5,400. The city has not identified any other costs, such as administrative costs, related to trash service. Ordinance 252 indicates all trash fee payments received by the city shall be used to defray the expenses of collection of solid waste. The administrative costs of providing trash collection services should be calculated and documented. If the current revenues generated exceed the estimated costs incurred in providing trash collection services, consideration should be given to reducing the fee accordingly.

(over)

YELLOW SHEET

- The city waived trash fees for some residents and commercial establishments without adopting ordinances or rules to authorize the waivers and the City Clerk's billing records do not always indicate which water, sewer, and trash bills have been collected.

In 1996, the city was awarded a \$64,252 COPS Grant to pay salaries and fringe benefits for two part-time police officers over a three-year period. Grant disbursements are not approved by the Board of Aldermen. Time records for all police officers are prepared by the Police Chief and do not clearly identify all officers and the number of hours worked by each officer. The Police Chief was paid for hours worked by other officers.

Improvements are needed in the city's budgeting documents and procedures. The city's published financial statements are not sufficiently detailed and do not reflect some financial activity and indebtedness of the city. The 1998 annual financial report submitted to the State Auditor's office is inaccurate and incomplete. The city has not obtained annual audits of its water and sewer system as required by state law and the city's bond covenant.

During the year ended December 31, 1998 the city deposited \$13,164 of state motor vehicle-related receipts and \$3,813 of county road sales tax receipts into the General Fund. During 1998, the city spent \$2,035 on street repairs and \$13,452 for police department expenses. The city has not established a separate accounting for these receipts and related disbursements. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The county sales tax monies were approved by county voters for road and bridge capital improvements.

A separate individual has not been appointed to serve as City Treasurer and there is no independent review or supervision of the work performed by the City Clerk. Deposits are not made on a timely basis and board minutes do not identify the disbursements approved by the board.

The city has not adopted formal plans to address citizens' concerns regarding building conditions. The city purchased two properties containing dangerous and unsafe buildings and paid to have the buildings demolished and removed. However, the city has not formally identified all remaining dangerous and unsafe buildings or developed formal plans to ensure the buildings are repaired or demolished. The city unsuccessfully attempted to negotiate the purchase of two other properties that contained dangerous and unsafe buildings.

CITY OF BROWNING, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Browning
Browning, Missouri 64630

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Browning, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

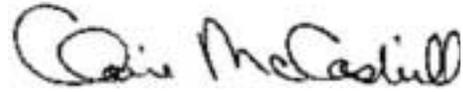
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the city.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Browning, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

September 24, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

CITY OF BROWNING, MISSOURI
HISTORY AND ORGANIZATION

The city of Browning is located in Linn and Sullivan Counties. The city was incorporated in 1891 and is currently a fourth-class city. The population of the city in 1990 was 331.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1998, were:

Elected Officials	Term Expires	Compensation for the Year Ended December 31, 1998	Amount of Bond
Eldon Head, Mayor	April 2001	\$ 420	\$ 30,000
Johnnie Grime, Alderman	April 2001	240	30,000
Dean Spencer, Alderman	April 2001	240	30,000
Helen Owens, Alderman	April 2000	240	30,000
Robert Wood, Alderman (1)	April 2000	160	30,000
<u>Other Principal Officials</u>			
Brenda Head, City Clerk/City Treasurer (2)		4,015	(3)
Paula Havens, City Collector		442	7,500
Jeffrey Sayre, City Attorney		4,335	(4)
William Murry, Police Chief		11,409	30,000
Dean Alspach, Water Commissioner		5,400	30,000

- (1) Elected in April 1998 to replace Rick Coffman.
- (2) Appointed April 6, 1998 to replace Sally Grieger.
- (3) Bonded for \$30,000 as City Clerk and \$25,000 as City Treasurer.
- (4) This amount represents total payments to the City Attorney's law firm during the year ended December 31, 1998. Patrick Richardson was appointed City Attorney in January 1999.

In addition to the officials listed above, the city has four part-time employees.

The Associate Circuit Judge of Sullivan County serves as the municipal judge. All city court cases and the related fines and court costs are handled by the Associate Circuit Division.

Assessed valuation and tax rate information for 1998 are as follows:

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ASSESSED VALUATION

Real estate	\$	485,340
Personal property		261,565
Railroad and utilities		<u>23,693</u>
Total	\$	<u><u>770,598</u></u>

TAX RATE PER \$100 ASSESSED VALUATION

General	\$	1.00
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The city has a general sales tax of one percent of retail sales within the city and a general use tax of one percent on purchases from out of state vendors.

A summary of the financial activity of the city of Browning for the year ended December 31, 1998 is presented on the next page.

	General Fund	Consolidated Waterworks and Sewage System Fund	Replacement and Extension Fund	Bond Reserve and Sinking Fund	Water Meter Deposit Fund	Police Vehicle Grant Fund	Police Department COPS Grant Fund	Community Development Block Grant Fund	Total
RECEIPTS									
Gas tax and state vehicle tax	\$ 11,750	0	0	0	0	0	0	0	11,750
Sales and use tax	21,032	0	0	0	0	0	0	0	21,032
Occupation tax	3,195	0	0	0	0	0	0	0	3,195
Property taxes	9,872	0	0	0	0	0	0	0	9,872
Interest	3,431	591	663	716	250	67	0	266	5,984
Trash fees	10,694	0	0	0	0	0	0	0	10,694
Court fines	7,705	0	0	0	0	0	0	0	7,705
Water and sewer fees	0	63,381	0	0	0	0	0	0	63,381
Water meter deposits	0	0	0	0	2,100	0	0	0	2,100
Grant revenue	0	0	0	0	0	8,100	18,700	222,082	248,882
Other	6,595	0	0	0	0	0	0	0	6,595
Transfers in	7,406	611	0	10,311	0	900	8,654	15,104	42,986
Total Receipts	81,680	64,583	663	11,027	2,350	9,067	27,354	237,452	434,176
DISBURSEMENTS									
Salaries and fringe benefits	12,202	8,690	0	0	0	0	20,338	0	41,230
Electricity and phone	4,437	1,829	0	0	0	0	0	0	6,266
Insurance	9,388	453	0	0	0	0	0	0	9,841
Trash hauling	3,084	0	0	0	0	0	0	0	3,084
Office supplies and advertising	2,408	94	0	0	0	0	0	0	2,502
Street repair	2,305	0	0	0	0	0	0	0	2,305
Fuel, repairs and maintenance	10,420	5,660	0	0	0	0	0	0	16,080
Police expense	4,798	0	0	0	0	9,067	0	0	13,865
Attorney fees	4,335	0	0	0	0	0	0	0	4,335
Purchased water	0	28,245	0	0	0	0	0	0	28,245
Water meter deposit refunds	0	0	0	0	852	0	0	0	852
Bond principal and interest	0	0	0	10,311	0	0	0	0	10,311
Refund to grantor	0	0	0	0	0	0	0	6,166	6,166
Drainage	0	0	0	0	0	0	0	82,198	82,198
Housing rehabilitation and inspection	0	0	0	0	0	0	0	143,290	143,290
Relocation	0	0	0	0	0	0	0	13,100	13,100
Demolition	0	0	0	0	0	0	0	6,244	6,244
Grant administration	0	0	0	0	0	0	0	8,681	8,681
Other	5,167	2,105	0	0	0	0	0	550	7,822
Transfers out	24,658	10,311	0	0	611	0	7,406	0	42,986
Total Disbursements	83,202	57,387	0	10,311	1,463	9,067	27,744	260,229	449,403
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,522	7,196	663	716	887	0	-390	-22,777	-15,227
CASH BALANCE, JANUARY 1, 1998	98,105	18,468	15,786	12,873	9,515	0	381	33,686	188,814
CASH BALANCE, DECEMBER 31, 1998	\$ 96,583	25,664	16,449	13,589	10,402	0	-9	10,909	173,587

MANAGEMENT ADVISORY REPORT

CITY OF BROWNING, MISSOURI
SUMMARY OF FINDINGS

1. COPS Grant Records and Procedures (pages 10-12)

Grant disbursements are not approved by the Board of Aldermen. Time records for all police officers are prepared by the Police Chief and do not clearly identify all officers and the number of hours worked by each officer. The Police Chief was paid for hours worked by other officers.

2. Water, Sewer, and Trash Service (pages 12-16)

The city should obtain legal guidance regarding establishing the city trash fee without voter approval. The city should identify all costs of trash collection services and set the trash fee no higher than to cover the cost of the service. The city collects penalties on delinquent trash fees which do not agree to its ordinance, and some trash fees were waived without ordinances or rules to authorize the waivers. Water, sewer, and trash billings are not reconciled to payments received and amounts remaining unpaid, and the dates of amounts collected are not always recorded on the billing records. The city does not reconcile gallons of water pumped to gallons billed to customers or compare these amounts to the gallons of water purchased. The city does not maintain an accurate listing of water meter deposit balances and interest earned on the water meter deposit account.

3. Budgets and Financial Reporting (pages 16-18)

Improvements are needed in the city's budgeting documents and procedures. The city's published financial statements are not sufficiently detailed and do not reflect some financial activity and indebtedness of the city. The 1998 annual financial report submitted to the State Auditor's office is inaccurate and incomplete. The city has not obtained annual audits of its water and sewer system as required by state law and the city's bond covenant.

4. Accounting Controls and Procedures (pages 18-19)

A separate individual has not been appointed to serve as City Treasurer and there is no independent review or supervision of the work performed by the City Clerk. Deposits are not made on a timely basis and board minutes do not identify the disbursements approved by the board.

5. Restricted Revenues (pages 19-20)

The city has not established separate accounting records for state motor vehicle-related receipts, county road sales tax receipts, and law enforcement training fees to ensure monies are spent in accordance with the constitution and state law.

6. Ordinances, Payroll Matters, and Contracts (pages 20-21)

The city has not adopted an ordinance establishing the term of office for the City Clerk. The police compensation ordinance does not clearly indicate the compensation rate for each officer. The city does not have a written contract with the law firm that provides city attorney services.

7. Building Conditions (pages 21-22)

The city has not formally identified all dangerous and unsafe structures or enforced a city ordinance to ensure these structures will be repaired or demolished.

CITY OF BROWNING, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	COPS Grant Records and Procedures
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In 1996, the city was awarded a \$64,252 COPS Grant to pay salaries and fringe benefits for two part-time police officers over a three-year period. The city is required to provide matching funds totaling \$21,418 during the grant period. Our review of the grant records and procedures noted the following concerns:

- A. The Police Chief prepares all time records and calculates payroll and fringe benefit amounts. Checks for payroll and fringe benefits are signed by the Police Chief and the Mayor and these disbursements are not reviewed or approved by the Board of Aldermen. Our review of the time and payroll records noted that fringe benefits were not always calculated correctly and the number of hours worked frequently did not agree to the number of hours paid plus compensatory time earned during the month. While the errors and discrepancies noted were not significant, the city should review all records for the grant period and correct the errors noted.

To ensure the propriety of all city expenditures, the Board of Aldermen should review and approve all COPS Grant disbursements prior to payment. In addition, the board should appoint someone independent of the timekeeping function to check the accuracy of the payroll calculations, and the Police Chief should not be responsible for signing checks on the COPS Grant account.

- B. The Police Chief prepares time records for all police officers. These time records do not clearly identify each officer that worked for the city and the number of hours worked by each officer. For example, columns on the time records often listed two officer numbers and only one officer's name. Therefore, it was unclear whether one or two officers worked the hours listed in the applicable column.

In addition, while the officers named on the time records were issued payroll checks and their earnings were reported to the IRS on W-2 forms, sometimes the city issued payroll checks and issued W-2 forms to officers that were not identified on the time records.

To adequately account for all payroll expenses, all officers should prepare and sign their own time sheets, and the time sheets should be reviewed and approved by a supervisor. Payroll checks should only be issued upon the preparation and approval of time sheets.

- C. The Police Chief indicated he was paid for hours worked by other officers. The Police Chief indicated he used personal funds to pay some officers who needed the money up

front, and he obtained reimbursement by claiming compensation from the city for their hours worked. The Police Chief did not and cannot now provide evidence that the other officers were paid from his personal funds. In addition, as indicated above, the officers did not prepare and submit signed time sheets to document their hours worked. As a result, the city has no documentation to ensure the Police Chief was entitled to the additional compensation he claimed or that the amounts he claimed were calculated properly.

In addition, the earnings of officers paid from the Police Chief's personal funds were reported to the IRS on the Police Chief's W-2 form. As result, the Police Chief paid income taxes, Social Security, and Medicare, on the earnings of other officers.

To ensure all payroll disbursements are valid and are properly reported to the IRS, the city should discontinue the practice of paying the Police Chief for hours worked by other officers and issue payroll checks and W-2 forms to each police officer that provides services to the city. The city should request the Police Chief to provide evidence of wages he paid to the other officers and file amended W-2 forms for these amounts.

As a result of the lack of time sheets and the other concerns noted above, we question the federal share of all grant expenditures through July 31, 1999, totaling \$58,394. The city should contact the grantor agency to resolve the questioned costs.

WE RECOMMEND the Board of Aldermen resolve the questioned costs with the grantor agency. In addition, the board should:

- A. Review and approve all COPS Grant disbursements prior to payment and appoint someone other than the Police Chief to sign the checks. In addition, the board should review all applicable records, correct all errors noted, and appoint someone independent of the timekeeping function to review the accuracy of payroll calculations.
- B. Require each officer to prepare and sign their own time sheets and require supervisory approval to be documented on all time sheets. No payroll checks should be issued without the submission of properly approved time sheets.
- C. Discontinue the practice of paying the Police Chief for hours worked by other officers, and issue payroll checks and W-2 forms to each police officer that provides services to the city. The city should request the Police Chief to provide evidence of wages he paid to the other officers and file amended W-2 forms for these amounts.

AUDITEE'S RESPONSE

- A. *We agree with the recommendation and will implement it as soon as possible.*
- B. *We have already implemented this recommendation.*

- C. *We have discontinued the practice of paying the Police Chief for hours worked by other officers. We will attempt to determine the amounts paid by the Police Chief to the other officers and file amended W-2 forms.*

2.

Water, Sewer, and Trash Service

The city provides water and sewer services to approximately 160 customers and trash services to approximately 136 customers. Our review of the city's billing and collection records and procedures disclosed the following concerns:

- A. The city contracts with a trash hauler to collect trash from the homes in the city. For a number of years, the trash hauler billed city residents directly for trash service. In October 1997, the city began billing each resident seven dollars per month for the cost of the service. The fees charged to residents were established without a public vote, and some residents who apparently do not use the service have been billed for trash fees.

Article X, Section 22(a) of the Missouri Constitution, commonly known as the Hancock Amendment, prohibits political subdivisions from increasing existing taxes, licenses, or fees above levels authorized at the time of passage of the Hancock Amendment without voter approval. However, Section 67.042, RSMo 1994, allows political subdivisions to adjust existing fees and licenses to maintain funding of services provided at the time of passage of the Hancock Amendment. The Missouri Supreme Court, in its decision in Beatty v. Metropolitan St. Louis Sewer District, 867 S.W. 2d 217 (Mo. banc 1993) applied a five-pronged analysis to determine whether a governmental charge was a tax, thus requiring a public vote, or user fee which could be revised without a vote. This court case also indicated that if the analysis did not clearly indicate the charge is a user fee, the issue should be put to a vote.

Because this matter has been a concern of some citizens, the city should request that its attorney review this fee to determine whether it is or can be structured as a user fee, or whether the fee and any fee increases should be put to a public vote. If this matter is not resolved by clear legal authority or an election, the city might need to consider ending this municipal service and require the city's residents to contract privately for trash hauling.

- B. The city charges its residents a monthly fee of seven dollars for trash service and pays the trash hauler six dollars per customer per month. Trash fees are deposited in the General Fund and disbursements are made monthly from the General Fund for trash hauling services. During the year ended December 31, 1998, the city collected \$10,694 in trash fees and paid \$3,084 for trash hauling services. The city has not been billed by its former trash hauler for trash services provided from September 1997 through June 1998, but the city expects to be billed for these services in the future. It appears the 1998 share of these

costs is approximately \$5,400. The city has not identified any other costs, such as administrative costs, related to trash service.

Ordinance 252 indicates all trash fee payments received by the city shall be used to defray the expenses of collection of solid waste. The administrative costs of providing trash collection services should be calculated and documented. If the current revenues generated exceed the estimated costs incurred in providing trash collection services, consideration should be given to reducing the fee accordingly.

- C. Trash fees are billed and collected with water and sewer fees. All three fees are deposited in the consolidated waterworks and sewage system (CW & SS) account. The trash fees are subsequently transferred to the general account and recorded as receipts of the General Fund.

Ordinance 208 authorizes the city to collect a late payment penalty of ten percent on delinquent water and sewer fees. However, Ordinance 252, which established trash fees, does not authorize the city to collect a late payment penalty on trash fees, unless a person is convicted of violating the ordinance. The billings prepared by the city included a penalty calculation of ten percent on all delinquent fees, including the trash fee. The penalties collected on trash fees were recorded in the CW & SS Fund as water and sewer fees and remain in the CW & SS account.

The city should comply with its ordinance and discontinue the practice of collecting penalties on delinquent trash fees or enact an ordinance which establishes a penalty on delinquent trash fees.

- D. The city waived trash fees for some residents and commercial establishments without adopting ordinances or rules to authorize the waivers. The city waived trash fees for commercial establishments that do not generate waste or that generate waste the trash hauler cannot collect, commercial establishments billed directly by the trash hauler, and dwelling units owned by individuals that have dumpsters at their commercial establishments.

Ordinance 252 indicates trash fees are to be imposed on each occupied dwelling unit and each occupied commercial establishment not utilizing a dumpster. The ordinance authorizes the city to promulgate reasonable and necessary rules and regulations for the billing and collection of trash fees and requires the City Clerk to maintain copies of any rules and regulations promulgated under the ordinance. There were no rules or ordinances on file to authorize the waivers discussed above.

To ensure compliance with Ordinance 252, the city should adopt ordinances or rules authorizing the waivers on trash fees and file them with the City Clerk.

- E. The city does not perform monthly reconciliations of total charges, payments received, and amounts remaining unpaid for water, sewer, and trash services.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made and to facilitate independent reviews.

- F. The City Clerk's billing records do not always indicate which water, sewer, and trash bills have been collected. In March 1999, the City Clerk began recording the receipt date for each bill on billing summary reports; however, the receipt date was not recorded for some bills collected and deposited by the City Clerk. In addition, the city has an agreement with its depository bank in which customers can pay their bills directly to the bank; however, the City Clerk does not record the receipt dates for bills collected by the bank.

To facilitate the preparation of the reconciliations discussed in E. above, the City Clerk should record the receipt date for each water, sewer, and trash bill on the monthly billing summary report.

- G. The city purchases its water supply from Sullivan County Public Water Supply District Number 1. The city does not compare or reconcile gallons of water purchased to gallons of water pumped from the city's water tower. In addition, the city does not reconcile gallons of water pumped to gallons of water billed to customers.

To help detect any significant water loss on a timely basis and to help ensure all water usage is properly billed, the city should reconcile gallons of water pumped to gallons of water billed to customers on a monthly basis and compare these amounts to gallons of water purchased. Significant differences should be investigated.

- H. The city prepares a list of water meter deposits received from and refunded to customers; however, the list is not totaled and reconciled to the meter deposit bank account, and it appears the city has not properly recorded amounts transferred from the meter deposit bank account to the water and sewer bank account. For example, for several customers who posted a \$100 deposit, the city only recorded the amount refunded to the customer and not the amount transferred from the meter deposit bank account to the water and sewer bank account to cover the customer's final water bill. As a result, the balance in the meter deposit bank account was approximately \$2,300 less than the net deposits recorded on the city's list at July 31, 1999. In addition, the city does not keep track of the interest earned on the bank account (about \$200-250 per year), which would cause additional differences between the recorded meter deposits and the bank balance.

The city should ensure its meter deposit records are complete and accurate by ensuring all deposits, refunds, and transfers are recorded, and also keep track of interest earnings.

The total of net deposits and interest earnings should be reconciled to the bank balance and differences should be investigated and resolved.

WE RECOMMEND the Board of Aldermen:

- A. Seek legal guidance from the City Attorney and determine whether the trash fee is or can be structured as a user fee, or if it should be put to public vote.
- B. If the trash fee is determined to be a user fee, identify all costs (including administrative costs) of trash collection services and set the trash fee no higher than to cover the cost of the service.
- C. Discontinue the practice of collecting penalties on delinquent trash fees, or enact an ordinance which establishes such a penalty.
- D. Adopt ordinances or rules authorizing the waivers of trash fees and file them with the City Clerk.
- E. Perform monthly reconciliations of the amounts charged to amounts collected and delinquent accounts.
- F. Require the City Clerk to record the receipt date for each water, sewer, and trash bill on the monthly billing summary report.
- G. Reconcile gallons of water pumped to gallons billed to customers on a monthly basis and compare these amounts to gallons of water purchased. Any significant differences should be documented and investigated.
- H. Maintain a complete listing of meter deposits, refunds, transfers to the water and sewer account, and interest earned on the meter deposit account. The listing should be reconciled to the balance of the meter deposit account and differences should be investigated and resolved.

AUDITEE'S RESPONSE

- A. *Both the current and former city attorneys have reviewed this matter and both determined that the fee does not require a public vote. We will request the current city attorney to provide a written opinion on this issue.*
- B. *We will try to determine the administrative costs and compare the fees collected to the total costs of providing trash service.*
- C. *We have opened a separate bank account for trash fees and have amended Ordinance 252 to impose a late payment penalty.*

- D. *We have amended Ordinance 252 to establish a list of trash fee waivers.*
- E. *The City Clerk is now preparing and documenting monthly reconciliations.*
- F. *We have already implemented this recommendation.*
- G. *We will implement this recommendation.*
- H. *We are in the process of implementing this recommendation.*

3.

Budgets and Financial Reporting

A. The city's budgets did not comply with state law or were otherwise insufficient as follows:

1. Although the board minutes make general references that the annual budgets and budget amendments were adopted, the budgets are not adopted by order, motion, resolution, or ordinance, are not retained with the official minutes, and are not signed by the board to denote approval. In addition, the reasons for budget amendments are not documented in the minutes.

Sections 67.030 and 67.040, RSMo 1994, require budgets and budget amendments to be adopted by order, motion, resolution, or ordinance and reasons for amendments to be documented in a resolution. In addition, budgets and budget amendments should be signed or initialed by the board and retained with the official minutes to adequately document the board's approval.

In addition, budgets were not adopted prior to the beginning of each fiscal year. The budget for the year ended December 31, 1999 was adopted February 1, 1999, and the budget for the year ended December 31, 1998 was adopted February 2, 1998. Section 67.030, RSMo 1994, requires the board to adopt and approve budgets prior to the beginning of the applicable fiscal year.

2. The budgets did not include some funds. The Police Vehicle Grant Fund, the Police Department COPS Grant Fund, and the Community Development Block Grant Fund were not included in the budgets. Section 67.010, RSMo 1994, indicates the annual budget shall present a complete financial plan for the city.
3. The budgets did not reflect projected ending fund balances and did not include budget messages or general budget summaries describing the important features of the budget and major changes from the preceding years. In addition, the

budgets did not include actual receipts and disbursements from the two previous years.

Section 67.010, RSMo 1994, sets specific guidelines for the format of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations. A complete budget should include appropriate revenue and expenditures estimations by classification, and include reasonable estimates of the ending available resources of all funds. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

- B. The city's semi-annual financial statements published for the six months ending June 30, 1998, and December 31, 1998, did not include the Police Vehicle Grant Fund, the Police Department COPS Grant Fund, and the Community Development Block Grant Fund, and did not include \$83,167 the city owed on revenue bonds for the combined waterworks and sewage system. In addition, the financial statements only presented the beginning cash balance, total receipts, total disbursements, and ending cash balance of each fund presented. The various revenue sources and disbursement categories were not shown.

Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semi-annually, a full and detailed account of the receipts, disbursements, and indebtedness of the city. Complete financial statements are necessary to keep the citizens informed of the financial activity and condition of the city.

- C. The 1998 annual financial report submitted by the city to the State Auditor's office as required by Section 105.145, RSMo 1994, was inaccurate and incomplete. The report did not include the financial activity and balances of the Police Vehicle Grant Fund, the Police Department COPS Grant Fund, and the Community Development Block Grant Fund. Some receipt and disbursement classifications were omitted from the report and classification totals were not indicated for some funds. In addition, the beginning cash balances plus receipts, less disbursements did not agree to the ending cash balance for two funds and the report did not document the city's bonded indebtedness.

The board should ensure the annual financial reports required pursuant to Section 105.145, RSMo 1994, accurately and completely reflect the financial activity and balances of the various city funds, and the city's bonded indebtedness.

- D. The city has not obtained annual audits of the combined waterworks and sewage system. Section 250.150, RSMo 1994, requires the city to obtain annual audits of the combined waterworks and sewage system, and the cost of the audits is to be paid from the revenues received from the system. In addition, annual audits are required by the city's combined waterworks and sewage system bond covenant.

In addition to being required by state law and the city's bond covenant, annual audits of city funds would help ensure city financial transactions have been properly recorded.

WE RECOMMEND the Board of Aldermen:

- A. Formally adopt the annual budgets prior to the beginning of the fiscal year for all city funds and ensure reasons for budget amendments are documented in a resolution. In addition, the board should ensure annual budgets include all relevant information required by state law, and sign or initial budgets and budget amendments and retain them with the official minutes.
- B. Publish complete, detailed semi-annual financial statements of all of the financial activity and indebtedness of the city.
- C. Ensure the annual financial reports prepared and submitted to the State Auditor's office accurately and completely reflect the financial activity and balances of the various city funds and the bonded indebtedness.
- D. Obtain annual audits of the combined waterworks and sewage system as required by state law and the city's bond covenant.

AUDITEE'S RESPONSE

We plan to implement these recommendations.

4. Accounting Controls and Procedures
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- A. The Board of Aldermen has not appointed a separate individual to serve as City Treasurer. The City Clerk also serves as the City Treasurer, and with the exception of the functions related to the collection of property taxes, Police Department COPS Grant functions, and Community Development Block Grant functions, this individual is responsible for most of the record keeping duties of the city. These duties include receiving and depositing monies, handling the utility billings and collections, preparing invoices for payment, preparing and co-signing checks, performing bank reconciliations, and preparing financial reports. Neither the board nor other personnel independent of the cash custody and record keeping functions provide adequate supervision or an independent review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. This situation does not allow the segregation of duties necessary for a proper evaluation and

review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

- B. Deposits are not made on a timely basis, with deposits being made only approximately once a week. To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
- C. Although there is an occasional reference to a specific invoice being approved for payment, the board minutes usually only make general reference that invoices are approved for payment. In addition, a supplementary listing of all disbursements is not prepared to accompany the minutes and document the invoices approved.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained with the official minutes.

WE RECOMMEND the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- B. Ensure deposits are made on a daily basis or when accumulated receipts exceed \$100.
- C. Document approval of all disbursements by including a listing of all approved disbursements in the board minutes.

AUDITEE'S RESPONSE

- A. *We contacted the Missouri Municipal League and were told that appointing the same individual as City Clerk and City Treasurer was a common and acceptable practice. Instead of appointing separate individuals, we will attempt to establish independent reviews of the City Clerk's work.*

B&C. We have already implemented these recommendations.

5. Restricted Revenues

- A. During the year ended December 31, 1998, the city deposited \$13,164 of state motor vehicle-related receipts and \$3,813 of county road sales tax receipts into the General Fund. During 1998, the city spent \$2,035 on street repairs and \$13,452 for police department expenses. The city has not established a separate accounting for these receipts

and related disbursements. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The county sales tax monies were approved by county voters for road and bridge capital improvements.

To ensure compliance with the Missouri Constitution, the city should maintain separate funds or separate accountings of motor vehicle-related receipts and county sales tax receipts and ensure these receipts are used only for the purposes allowed by the constitution and the county sales tax ballot. The unspent balance of these receipts should be accounted for separately along with future receipts.

- B. Law enforcement training fees are not accounted for separately or maintained in a separate fund. During the year ended December 31, 1998, the city received approximately \$256 in training fees and did not incur any training-related expenditures. Section 590.140, RSMo Cumulative Supp. 1998, requires law enforcement training fees to be used only for the training of law enforcement officers. The city should determine law enforcement training fees collected and transfer the fees to a separate fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

WE RECOMMEND the Board of Aldermen establish separate funds or separate accountings of state motor vehicle-related receipts, county sales tax receipts, and law enforcement training fees to ensure compliance with the Missouri Constitution and state law.

AUDITEE'S RESPONSE

We will implement this recommendation.

6. Ordinances, Payroll Matters, and Contracts
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- A. The city has not adopted an ordinance establishing the term of office for the City Clerk as required by Section 79.320, RSMo 1994. To ensure compliance with state law and to avoid misunderstandings, the board should adopt an ordinance which specifies the term of office of the City Clerk.
- B. The police compensation ordinance does not clearly indicate the compensation rate for each officer. Ordinance 236 indicates compensation is the same rate of pay provided in the COPS grant, but the COPS grant agreement does not specify an hourly rate for each officer. The Police Chief apparently determined the pay rate for himself and each officer. The hourly rates paid were normally from \$10 to \$12.50; however, one officer was paid \$8 per hour during one month and the Police Chief was paid \$20 per hour during one month.

To avoid misunderstandings, the board should adopt an ordinance which clearly indicates the rate of compensation paid to each police officer.

- C. By ordinance, the city has appointed a law firm in the area to provide city attorney services. One attorney in the firm acts as the City Attorney. The ordinance does not indicate the rate of compensation and the city has not entered into a written contract with this firm.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND the Board of Aldermen:

- A. Adopt an ordinance to establish the term of office of the City Clerk, in accordance with state law.
- B. Adopt an ordinance that clearly indicates the rate of compensation paid to each police officer.
- C. Enter into a written contract with the City Attorney's law firm for legal services.

AUDITEE'S RESPONSE

- A. *We will specify the term of office for the City Clerk.*
- B. *We will implement this recommendation.*
- C. *This recommendation has already been implemented.*

7. Building Conditions

The city has not adopted formal plans to address citizens' concerns regarding building conditions. The city purchased two properties containing dangerous and unsafe buildings and paid to have the buildings demolished and removed. However, the city has not formally identified all remaining dangerous and unsafe buildings or developed formal plans to ensure the buildings are repaired or demolished. The city unsuccessfully attempted to negotiate the purchase of two other properties that contained dangerous and unsafe buildings.

Ordinance 186 defines dangerous and unsafe structures, outlines the city's standards and procedures for ordering repair, vacation, or demolition of any dangerous and unsafe structure, and outlines procedures for notifying structure owners, occupants, and possessors. The ordinance indicates that if compliance with the order is not achieved within thirty days of such order, the Board of Aldermen may cause such structures to be repaired, vacated, or demolished and removed, and add the cost to the tax bill of the property as a special assessment and a lien against the property. The ordinance also indicates any owner, occupant, or possessor of a dangerous or unsafe structure that fails to comply with the ordinance may be fined up to \$500 for each day of noncompliance. The city has sent notices to some building owners that have not complied with the orders, but the city has not pursued fines or performed the necessary work and added the cost to the tax bill of the property.

To preserve the health and safety of city residents, the city should formally identify all dangerous and unsafe structures within the city and enforce Ordinance 186 to ensure the structures will be repaired or demolished.

WE RECOMMEND the Board of Aldermen formally identify all dangerous and unsafe structures within the city and enforce Ordinance 186 to ensure the structures will be repaired or demolished.

AUDITEE'S RESPONSE

We agree that the unsafe buildings need to be demolished. We have tried to purchase some of these buildings in an attempt to demolish them. We will continue to work with the building owners to address the citizens' concerns.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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